

## Internal Revenue Service

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July 10, 2007

### Legend

Distributing =

Distributing 1 =

Distributing 2 =

Distributing 3 =

Distributing 4 =

Controlled =

Controlled 1 =

Controlled 2 =

Controlled 3 =

Controlled 4 =

DRE 1 =

DRE 2 =

DRE 3 =

DRE 4 =

DRE 5 =

DRE 6 =

Corp 1 =

Corp 2 =

Corp 3 =

Corp 4 =

Sub 1 =

Sub 2 =

Sub 3 =

Sub 4 =

Sub 5 =

Sub 6 =

Sub 7 =

Sub 8 =

Sub 9 =

Sub 10 =

Sub 11 =

Sub 12 =

Sub 13 =

Sub 14 =

Sub 15 =

Business A =

Business B =

Business C =

Country A =

Country B =

Country C =

Country D =

Country E =

Year AA =

Date 1 =

a =

b =

c =

d =

e =

f =

g =

h =

i =

j =

k =

l =

m =

n =

X =

Y =

Z =

Person A =

Person B =

Officer X =

Officer Y =

Dear :

This letter responds to your letter dated March 15, 2007, requesting rulings as to the federal income tax consequences of the proposed transactions. Additional information

was submitted in letters dated June 11, 2007, June 22, 2007 and July 10, 2007. The information, submitted, is summarized below.

The rulings contained in this letter are based on facts and representations submitted by the taxpayer and are accompanied by a penalty of perjury statement executed by an appropriate party. This office has not verified any of the materials submitted in support of the request for rulings. Verification of the information, representations, and other data may be required as part of the audit process. Moreover, no information provided by the taxpayer has been reviewed and no determination has been made regarding whether the proposed transactions: (i) satisfy the business purpose requirement of Treasury Regulations Section 1.355-2(b); (ii) are used principally as a device for the distribution of the earnings and profits of the distributing corporation or the controlled corporation or both (see Section 355(a)(1)(B) of the Internal Revenue Code and Treasury Regulations Section 1.355-2(d)); and (iii) are part of a plan (or series of related transactions) pursuant to which one or more persons will acquire directly or indirectly stock representing a 50-percent or greater interest in the distributing corporation or the controlled corporation (see Section 355(e)(2)(A)(ii) and Treasury Regulations Section 1.355-7).

#### Summary of Facts

Distributing is a holding company and the parent of an affiliated group of corporations that files a consolidated federal income tax return. Distributing has a single class of publicly-traded voting common stock, outstanding, (the "Distributing Common Stock") and no preferred stock outstanding. Distributing, indirectly through its subsidiaries, is engaged in Business A, Business B and Business C.

Controlled is a corporation that was newly formed as a wholly-owned subsidiary of Distributing in connection with the proposed pro rata distribution by Distributing to its shareholders of stock of Controlled (the "External Distribution") and Distributing owns a single class of voting common stock, outstanding, (the "Controlled Common Stock"). At the time of the External Distribution, Controlled, through its subsidiaries, will be engaged in the active conduct of Business C.

Distributing directly owns all of the outstanding stock of Distributing 4 and Distributing 3, both of which are domestic corporations. Distributing 3 owns, through two wholly-owned subsidiaries, DRE 1 and DRE 2, all of the outstanding equity of Distributing 1, a Country A partnership treated as a corporation for U.S. federal income tax purposes. Distributing 3 also owns, through two wholly-owned subsidiaries, DRE 3 and Corp 1, all of the outstanding equity interests in Distributing 2, a Country B partnership treated as a corporation for U.S. federal income tax purposes. Distributing 2, through its wholly-owned subsidiary, DRE 4, owns all of the outstanding interests in DRE 5. DRE 1, DRE 2, DRE 3, DRE 4 and DRE 5 are all disregarded entities for U.S. federal income tax purposes. Corp 1 is a Country B corporation treated as a corporation for U.S. federal

income tax purposes. In addition, Distributing 3 directly owns a% and Distributing 1 indirectly through disregarded entities owns b% of the outstanding equity of each of Corp 2 and Corp 3, each of which is a Country C corporation treated as a corporation for U.S. tax purposes. For purely Country C tax reasons, Distributing 3 holds a% of each of Corp 2 and Corp 3. Distributing 1 also indirectly through disregarded entities owns all of the outstanding equity of Corp 4, a Country D corporation treated as a corporation for U.S. tax purposes.

As a result of a series of transactions occurring in Year AA, Distributing filed two gain recognition agreements (the "DRE 5 GRAs") in connection with two separate transfers of DRE 5 stock by Distributing 3 to Distributing 2 in transactions intended to qualify under section 351. Subsequent to such transfers, DRE 5 elected to be treated as a disregarded entity for U.S. federal income tax purposes.

Distributing filed a GRA (the "Corp 2 GRA") in connection with the Date 1 transfer of b% of the stock of Corp 2 from Distributing 3 to Distributing 1 intended to qualify under Section 351.

Distributing filed a GRA (the "Corp 4 GRA") in connection with the Date 1 transfer of all of the stock of Corp 4 from Distributing 3 to Distributing 1 intended to qualify under Section 351.

Distributing filed a GRA (the "Corp 3 GRA") in connection with the Date 1 transfer of b% of the stock of Corp 3 from Distributing 3 to Distributing 1 intended to qualify under Section 351.

Distributing expects to dispose of Business B to one or more third-party buyers after the External Distribution (the "Business B Sale").

The taxpayer has submitted financial information indicating that each of the portions of the Business A conducted by Controlled 1, Distributing 2, Distributing 3, Distributing 4, and Distributing, and each of the portions of Business C conducted by Distributing 1, Controlled 2, Controlled 3, Controlled 4, and Controlled, has had gross receipts and operating expenses which serve to represent conducting of an active trade or business for each of the past five years. None of the distributing or controlled corporations in any of the Internal Distributions or the External Distribution will rely, in whole or in part, on Business B for the conducting of an active trade or business.

Distributing's management has determined that the separation of the Business C from Distributing's other business segments will serve a number of corporate business purposes, including one or more of the following: (1) to allow each of Distributing and Controlled to focus on its core business and growth opportunities and provide the management of each with increased flexibility to design and implement corporate policies and strategies based on the business characteristics of the particular industry in



which it operates; (2) to improve the understanding of the businesses of Distributing and Controlled in the investment community and among rating agencies, analysts and other market participants; (3) to eliminate internal competition for capital and permit each of Distributing and Controlled to design a capital structure best suited to its own needs, which is expected to facilitate internal and external expansion; and (4) to enhance the efficiency and effectiveness of Distributing's and Controlled's equity-based compensation.

### Proposed Transactions

Except as otherwise set forth below, all of the following transactions have been proposed to occur on approximately the same date but prior to the External Distribution.

#### Internal Distribution A

Distributing 1 will organize Controlled 1 as a Country A partnership that will elect to be treated as a corporation for U.S. federal income tax purposes. Distributing 1 will hold all of the outstanding equity interests in Controlled 1 directly and indirectly through its wholly-owned subsidiary DRE 6, a domestic limited liability company disregarded for U.S. federal income tax purposes.

Distributing 1 will contribute its equity interests in Sub 1, Sub 2, and Sub 3, which are disregarded entities for U.S. federal income tax purposes, to Controlled 1 (the "Distributing 1 Contribution"). In conjunction with the Distributing 1 Contribution, Controlled 1 will assume certain inter-company debt of Distributing 1 (the "Notes"). Distributing 1 will retain all of the assets relating to its Business C.

Pursuant to an overall plan (the "Corp 2 Plan"), Distributing 1, indirectly through the contribution of Sub 1, a disregarded entity for U.S. federal income tax purposes, will contribute its b% interest in Corp 2 to Controlled 1 in the Distributing 1 Contribution, and Distributing 3 will contribute its a% interest in Corp 2 to Controlled 1. In addition, Corp 2 will elect to be treated as a disregarded entity for U.S. federal income tax purposes, as a result of which it is intended that Controlled 1 will be treated as having acquired substantially all of the assets of Corp 2.

Pursuant to an overall plan (the "Corp 4 Plan"), Distributing 1, indirectly through the contribution of Sub 1, will contribute all of the stock of Corp 4 to Controlled 1 in the Distributing 1 Contribution. In addition, Corp 4 will elect to be treated as a disregarded entity for U.S. federal income tax purposes, as a result of which it is intended that Controlled 1 will be treated as having acquired substantially all of the assets of Corp 4.

Immediately after the Distributing 1 Contribution, Distributing 1 will distribute all of the outstanding equity interests in Controlled 1 and DRE 6 pro rata to DRE 1 and DRE 2, each an entity that is disregarded as separate from its owner, Distributing 3 ("Internal

Distribution A”). DRE 1 will then distribute its interests in Controlled 1 to Distributing 3 (the “DRE 1 Distribution”) and DRE 2 will distribute its equity interests in Controlled 1 to Distributing 3 (the “DRE 2 Distribution”).

#### Internal Distribution B

DRE 5 will organize a direct, wholly-owned subsidiary, Controlled 2, a Country E company treated as a corporation for U.S. federal income tax purposes.

DRE 5 will contribute all of the assets relating to its Business C to Controlled 2 (the “DRE 5 Contribution”). In conjunction with the DRE 5 Contribution, Controlled 2 will assume liability for certain taxes incurred as a result of the internal restructuring (the “Restructuring Taxes”) and certain contingent tax liabilities of DRE 5 (the “Country E Contingent Liabilities”) not related to Business C. The amount of the Country E Contingent Liabilities is not fixed or reasonably ascertainable.

Immediately after the DRE 5 Contribution, DRE 5 will distribute all of the outstanding equity of Controlled 2 to DRE 4, an entity disregarded as separate from its owner, Distributing 2, and DRE 4 will subsequently distribute all of its interests in Controlled 2 to Distributing 2. Distributing 2 will then exchange all of its interests in Controlled 2 solely for a portion of the interest which DRE 3, an entity disregarded from its owner, Distributing 3, holds in Distributing 2 as a return of invested capital (“Internal Distribution B”). DRE 3’s capital in Distributing 2 will be reduced by the fair market value of Controlled 2. DRE 3 will then distribute all of its interests in Controlled 2 to Distributing 3 (the “DRE 3 Distribution”).

#### Internal Distribution C

Distributing 3 will incorporate Controlled 3 as a direct, wholly-owned domestic corporate subsidiary and then contribute to Controlled 3 a% of Corp 3, f% of Sub 4, g% of Sub 5, h% of Sub 6 and all of the outstanding equity of each of DRE 1, DRE 2, Controlled 2, Sub 7, Sub 8 and Sub 9 (the “Distributing 3 Contribution”).

Immediately after the Distributing 3 Contribution, Distributing 3 will distribute all of the outstanding equity of Controlled 3 to Distributing 3 (“Internal Distribution C”).

#### Internal Distribution D

Distributing 4 will incorporate Controlled 4 as a direct, wholly-owned domestic corporate subsidiary and then contribute to Controlled 4 all of the outstanding equity of each of Sub 10, Sub 11, Sub 12, Sub 13, Sub 14 and Sub 15 (the “Distributing 4 Contribution”).

Immediately after the Distributing 4 Contribution, Distributing 4 will distribute all of the outstanding equity of Controlled 4 to Distributing 4 (“Internal Distribution D”).

## The External Distribution

Distributing will contribute all of the outstanding equity of each of Controlled 3 and Controlled 4 to Controlled (the “Distributing Contribution”). In conjunction with the Distributing Contribution, Controlled will assume certain fixed and contingent liabilities of Distributing not related to Business C (the “Assumed Liabilities”). The amount of the contingent liabilities (the “Distributing Contingent Liabilities”) is not fixed or reasonably ascertainable. Distributing 1, which will be a subsidiary of Controlled immediately prior to the External Distribution, is also liable for fines and civil claims, if any, that result from allegations of infringement of X laws by certain entities engaged in Business B made by the Y (the “Z Liability”). Distributing 1 has agreed to indemnify Distributing and its subsidiaries from and against any liability arising with respect to the Z Liability after the External Distribution. Because the Z Liability is a liability of Distributing 1 at the time Distributing 1 is contributed to Controlled, the Z Liability will not be an Assumed Liability or a Distributing Contingent Liability.

Immediately after the Distributing Contribution, Distributing will distribute the Controlled Common Stock, cash in lieu of fractional shares of Controlled Common Stock and preferred stock purchase rights (the “Preferred Stock Purchase Rights”) pro rata to the holders of Distributing Common Stock (the “External Distribution”). One Preferred Stock Purchase Right will be issued with each share of Controlled Common Stock distributed and such purchase right will entitle the holder to purchase k of a share of Controlled preferred stock upon the announcement of certain transactions involving an acquisition of at least l percent of the outstanding Controlled Common Stock.

Controlled has no plan or intention, directly or through any subsidiary corporation, to purchase any of its outstanding stock after the External Distribution, other than through stock purchases meeting the requirements of section 4.05(1)(b) of Revenue Procedure 96-30, 1996-1 C.B. 696. Distributing has no plan or intention, directly or through any subsidiary corporation, to purchase any of its outstanding stock after the External Distribution, other than through stock purchases meeting the requirements of section 4.05(1)(b) of Revenue Procedure 96-30, 1996-1 C.B. 696 with the exception of 4.05(1)(b)(iv). Distributing plans to repurchase more than m percent, but not in excess of n percent, of the outstanding Distributing Common Stock within g years of the External Distribution.

## The Rabbi Trust

Distributing has previously established j grantor trusts (the “Rabbi Trusts”) which hold, in the aggregate, less than i% of the total outstanding Distributing Common Stock intended to satisfy Distributing’s obligations under certain deferred compensation arrangements (the “Deferred Compensation Plans”). As a result of the External Distribution, the Rabbi Trusts, in their capacity as holders of Distributing Common Stock, will receive shares of Controlled Common Stock (the “Retained Stock”) which will

be distributed to the participants pursuant to the Deferred Compensation Plans pro rata with the Distributing Common Stock. Any Retained Stock not distributed within five years of the External Distribution will be sold to unrelated third parties.

### Related Agreements

In conjunction with the proposed transactions, Distributing and Controlled will enter into several agreements relating to the separation of Business C from Distributing's other businesses and certain continuing transactions between the companies, including a transitional services agreement and a tax sharing agreement.

### Representations

#### Internal Distribution A

The following representations are made with respect to Internal Distribution A:

1. Indebtedness, if any, owed by Controlled 1 to Distributing 1 after Internal Distribution A will not constitute stock or securities.
2. All the liabilities assumed (within the meaning of Section 357(d)) by Controlled 1 in the Distributing 1 Contribution, except for the Notes, were incurred in the ordinary course of business and are associated with the assets being transferred.
3. The total adjusted bases and the fair market value of the assets transferred to Controlled 1 in the Distributing 1 Contribution will equal or exceed the sum of the liabilities assumed (within the meaning of Section 357(d)) by Controlled 1 plus any liabilities to which the transferred assets are subject.
4. The total fair market value of the assets transferred to Controlled 1 by Distributing 1 will equal or exceed the aggregate adjusted basis of those assets.
5. No part of the consideration to be distributed by Distributing 1 will be received by DRE 1, DRE 2 or Distributing 3 as a creditor, employee, or in any capacity other than that of a direct or indirect interest holder of Distributing 1.
6. Distributing 1 and Controlled 1 will each treat all members of their respective separate affiliated groups (as defined in Section 355(b)(2)(B)) (each, a "SAG") as one corporation in determining whether it meets the requirements of Section 355(b)(2)(A) regarding the active conduct of a trade or business.
7. The five years of financial information submitted on behalf of the business conducted by Distributing 1 (a member of the Distributing 1 SAG) is representative of the Business C operations of Distributing 1, and, with regard to

such business, there have been no substantial operational changes since the date of the last financial statements submitted.

8. The five years of financial information submitted on behalf of the business conducted by Controlled 1 (a member of the Controlled 1 SAG), is representative of the Business A operations of Controlled 1, and with regard to such business, there have been no substantial operational changes since the date of the last financial statements submitted.
9. Following Internal Distribution A, the Distributing 1 SAG and the Controlled 1 SAG will each continue the active conduct of their respective businesses, independently and with their separate employees, except as provided in the transition services agreement.
10. Internal Distribution A is being carried out for the corporate business purpose of making possible the External Distribution and is motivated, in whole or substantial part, by this corporate business purpose.
11. Internal Distribution A is not used principally as a device for the distribution of the earnings and profits of Distributing 1 or Controlled 1 or both.
12. Distributing 1 neither accumulated its receivables nor made any extraordinary payments of its payables in anticipation of Internal Distribution A.
13. No indebtedness between Distributing 1 (and its subsidiaries) and Controlled 1 (and its subsidiaries) has been or will be cancelled in connection with Internal Distribution A other than the settlement of open inter-company account balances attributable to normal business operations of Distributing 1 and its subsidiaries prior to Internal Distribution A.
14. No inter-corporate debt will exist between Distributing 1 (and its subsidiaries) and Controlled 1 (and its subsidiaries) at the time of, or subsequent to, Internal Distribution A, except for payables arising under the tax sharing agreement, transitional services agreement or otherwise in the ordinary course of business.
15. No property will be transferred by Distributing 1 to Controlled 1 for which an investment credit allowed under Section 46 will be claimed.
16. Immediately before Internal Distribution A, items of income, gain, loss, deduction, and credit will be taken into account as required by the applicable inter-company transaction Treasury Regulations (see Treasury Regulations Sections 1.1502-13 and 1.1502-14 as in effect before the publication of T.D. 8597, 1995-32 I.R.B. 6, and as currently in effect; Treasury Regulations Section 1.1502-13 as published by T.D. 8597).

17. At the time of Internal Distribution A, Distributing 1 will not have an excess loss account in the stock of Controlled 1.
18. Except for certain payments that will be made in connection with the tax sharing agreement and the transition services agreement, payments made in connection with any continuing transactions between Distributing 1 (and its subsidiaries) and Controlled 1 (and its subsidiaries) following Internal Distribution A, will be for fair market value based on terms and conditions comparable to those that would be arrived at by the parties bargaining at arm's length.
19. No two parties to Internal Distribution A are investment companies as defined in Sections 368(a)(2)(F)(iii) and (iv).
20. For purposes of Section 355(d), immediately after Internal Distribution A, no person (determined after applying Section 355(d)(7)) will hold interests possessing fifty percent or more of the total combined voting power of all classes of Distributing 1 interests entitled to vote, or fifty percent or more of the total value of all classes of Distributing 1 interests, that were acquired by purchase (as defined in Sections 355(d)(5) and (8)) during the five-year period (determined after applying Section 355(d)(6)) ending on the date of Internal Distribution A.
21. For purposes of Section 355(d), immediately after Internal Distribution A, no person (determined after applying Section 355(d)(7)) will hold interests possessing fifty percent or more of the total combined voting power of all classes of Controlled 1 interests entitled to vote, or fifty percent or more of the total value of all classes of Controlled 1 interests, that were either (1) acquired by purchase (as defined in Sections 355(d)(5) and (8)) during the five-year period (determined after applying Section 355(d)(6)) ending on the date of Internal Distribution A or (2) attributable to distributions on Distributing 1 interests that was acquired by purchase (as defined in Sections 355(d)(5) and (8)) during the five-year period (determined after applying Section 355(d)(6)) ending on the date of Internal Distribution A.
22. Internal Distribution A is not part of a plan or series of related transactions (within the meaning of Treasury Regulations Section 1.355-7) pursuant to which one or more persons will acquire directly or indirectly equity representing a fifty percent or greater interest (within the meaning of Section 355(d)(4)) in Distributing 1 or Controlled 1 (including any predecessor or successor of any such corporation).
23. After Internal Distribution A, no director, officer or key employee of Distributing 1 or any of its subsidiaries will be a director, officer or key employee of Controlled 1 or any of its subsidiaries.

24. Immediately after Internal Distribution A, neither Distributing 1 nor Controlled 1 will be a “disqualified investment corporation” as defined in Section 355(g)(2)(A).
25. As of the date of Internal Distribution A, no gain has been recognized with respect to the Corp 2 GRA.
26. Pursuant to the Corp 2 Plan, Corp 2 will be treated as having transferred substantially all of its assets to Controlled 1 in a transaction that Distributing intends to treat as a reorganization described in Section 368(a)(1)(D) in which the requirements of Section 354(b)(1) are met.
27. Pursuant to Treasury Regulation Section 1.367(a)-8T(h)(2)(i) and (iii), Distributing will apply Treasury Regulation Section 1.367(a)-8T(e)(3)(iii), which includes the filing of a new GRA (the “New Corp 2 GRA”), replacing the Corp 2 GRA, with respect to the Corp 2 Plan.
28. Pursuant to Treasury Regulation Section 1.367(a)-8T(h)(2)(i) and (iii), Distributing will apply Treasury Regulation Section 1.367(a)-8T(g)(3), including making basis adjustments, if any, under Treasury Regulation Section 1.367(a)-8T(g)(3)(iii), with respect to the New Corp 2 GRA and Internal Distribution A.
29. As of the date of Internal Distribution A, no gain has been recognized with respect to the Corp 4 GRA.
30. Pursuant to the Corp 4 Plan, Corp 4 will be treated as having transferred substantially all of its assets to Controlled 1 in a transaction that Distributing intends to treat as a reorganization described in Section 368(a)(1)(D) in which the requirements of Section 354(b)(1) are met.
31. Pursuant to Treasury Regulation Section 1.367(a)-8T(h)(2)(i) and (iii), Distributing will apply Treasury Regulation Section 1.367(a)-8T(e)(3)(iii), which includes the filing of a new GRA (the “New Corp 4 GRA”), replacing the Corp 4 GRA, with respect to the Corp 4 Plan.
32. Pursuant to Treasury Regulation Sections 1.367(a)-8T(h)(2)(i) and (iii), Distributing will apply Treasury Regulation Section 1.367(a)-8T(g)(3), including making basis adjustments, if any, under Treasury Regulation Section 1.367(a)-8T(g)(3)(iii), with respect to the New Corp 4 GRA and Internal Distribution A.

#### Internal Distribution B

The following representations are made with respect to Internal Distribution B:

33. Indebtedness, if any, owed by Controlled 2 to Distributing 2 after Internal Distribution B will not constitute stock or securities.
34. The total adjusted basis and the fair market value of the assets transferred to Controlled 2 in the DRE 5 Contribution will equal or exceed the sum of the amount of any liabilities assumed (within the meaning of Section 357(d)) by Controlled 2.
35. All the liabilities assumed (within the meaning of Section 357(d)) by Controlled 2 in the DRE 5 Contribution, except for the Restructuring Taxes and the Country E Contingent Liabilities, were incurred in the ordinary course of business and are associated with the assets being transferred.
36. The total fair market value of the assets transferred to Controlled 2 by Distributing 2 will equal or exceed the aggregate adjusted basis of those assets.
37. No part of the consideration to be distributed by Distributing 2 will be received by DRE 3 or Distributing 3 as a creditor, employee, or in any capacity other than that of a direct or indirect interest holder of Distributing 2.
38. As a result of Internal Distribution B, DRE 3's interest in Distributing 2 will be reduced, in an arm's length transaction, by the fair market value of Controlled 2. Accordingly, DRE 3's interest in Distributing 2 will be reduced to reflect the distribution of Controlled 2 in exchange for a portion of its interest in Distributing 2.
39. Distributing 2 and Controlled 2 will each treat all members of its respective SAG as one corporation in determining whether it meets the requirements of Section 355(b)(2)(A) regarding the active conduct of a trade or business.
40. The five years of financial information submitted on behalf of the business conducted by Distributing 2 (a member of the Distributing 2 SAG) is representative of the Business A operations of Distributing 2, and, with regard to such business, there have been no substantial operational changes since the date of the last financial statements submitted.
41. The five years of financial information submitted on behalf of the business conducted by Controlled 2 (a member of the Controlled 2 SAG), is representative of the Business C operations of Controlled 2, and with regard to such business, there have been no substantial operational changes since the date of the last financial statements submitted.
42. Following Internal Distribution B, the Distributing 2 SAG and the Controlled 2 SAG will each continue the active conduct of their respective businesses,



independently and with their separate employees, except as provided in the transition services agreement.

43. Internal Distribution B is being carried out for the corporate business purpose of making possible the External Distribution and is motivated, in whole or substantial part, by this corporate business purpose.
44. Internal Distribution B is not used principally as a device for the distribution of the earnings and profits of Distributing 2 or Controlled 2 or both.
45. Distributing 2 neither accumulated its receivables nor made any extraordinary payments of its payables in anticipation of Internal Distribution B.
46. No indebtedness between Distributing 2 (and its subsidiaries) and Controlled 2 (and its subsidiaries) has been or will be cancelled in connection with Internal Distribution B other than the settlement of open inter-company account balances attributable to normal business operations of Distributing 2 and its subsidiaries prior to Internal Distribution B.
47. No inter-corporate debt will exist between Distributing 2 (and its subsidiaries) and Controlled 2 (and its subsidiaries) at the time of, or subsequent to, Internal Distribution B, except for payables arising under the tax sharing agreement, transitional agreements or otherwise in the ordinary course of business.
48. No property will be transferred by Distributing 2 to Controlled 2 for which an investment credit allowed under Section 46 will be claimed.
49. Immediately before Internal Distribution B, items of income, gain, loss, deduction, and credit will be taken into account as required by the applicable inter-company transaction Treasury Regulations (see Treasury Regulations Sections 1.1502-13 and 1.1502-14 as in effect before the publication of T.D. 8597, 1995-32 I.R.B. 6, and as currently in effect; Treasury Regulations Section 1.1502-13 as published by T.D. 8597).
50. At the time of Internal Distribution B, Distributing 2 will not have an excess loss account in the stock of Controlled 2.
51. Except for certain payments that will be made in connection with the tax sharing agreement and the transition services agreement, payments made in connection with any continuing transactions between Distributing 2 (and its subsidiaries) and Controlled 2 (and its subsidiaries) following Internal Distribution B, will be for fair market value based on terms and conditions comparable to those that would be arrived at by the parties bargaining at arm's length.

52. No two parties to Internal Distribution B are investment companies as defined in Sections 368(a)(2)(F)(iii) and (iv).
53. For purposes of Section 355(d), immediately after Internal Distribution B, no person (determined after applying Section 355(d)(7)) will hold interests possessing fifty percent or more of the total combined voting power of all classes of Distributing 2 interests entitled to vote, or fifty percent or more of the total value of all classes of Distributing 2 interests, that were acquired by purchase (as defined in Sections 355(d)(5) and (8)) during the five-year period (determined after applying Section 355(d)(6)) ending on the date of Internal Distribution B.
54. For purposes of Section 355(d), immediately after Internal Distribution B, no person (determined after applying Section 355(d)(7)) will hold stock possessing fifty percent or more of the total combined voting power of all classes of Controlled 2 stock entitled to vote, or fifty percent or more of the total value of shares of all classes of Controlled 2 stock, that was either (1) acquired by purchase (as defined in Sections 355(d)(5) and (8)) during the five-year period (determined after applying Section 355(d)(6)) ending on the date of Internal Distribution B or (2) attributable to distributions on Distributing 2 interests that were acquired by purchase (as defined in Sections 355(d)(5) and (8)) during the five-year period (determined after applying Section 355(d)(6)) ending on the date of Internal Distribution B.
55. Internal Distribution B is not part of a plan or series of related transactions (within the meaning of Treasury Regulations Section 1.355-7) pursuant to which one or more persons will acquire directly or indirectly interest or stock representing a fifty percent or greater interest (within the meaning of Section 355(d)(4)) in Distributing 2 or Controlled 2 (including any predecessor or successor of any such corporation).
56. After Internal Distribution B, no director, officer or key employee of Distributing 2 or any of its subsidiaries will be a director, officer or key employee of Controlled 2 or any of its subsidiaries.
57. Immediately after Internal Distribution B, neither Distributing 2 nor Controlled 2 will be a "disqualified investment corporation" as defined in Section 355(g)(2)(A).
58. As of the date of Internal Distribution B, no gain has been recognized with respect to the DRE 5 GRAs.
59. As part of the DRE 5 Contribution, Distributing 2 (through DRE 5) will transfer substantially all the assets formerly held by DRE 5 to Controlled 2.

60. In connection with the DRE 5 Contribution, Distributing will comply with the reporting requirements of Treasury Regulation Section 1.367(a)-8(g)(3), which include the filing of new GRAs (the "New DRE 5 GRAs"), that replace the DRE 5 GRAs.
61. Pursuant to Treasury Regulation Section 1.367(h)-8T(h)(2)(i) and (iii), Distributing will apply Treasury Regulation Section 1.367(a)-8T(g)(3), including making basis adjustments, if any, under Treasury Regulation Section 1.367(a)-8T(g)(3)(iii), with respect to the New DRE 5 GRAs and Internal Distribution B.

#### Internal Distribution C

The following representations are made with respect to Internal Distribution C:

62. Indebtedness, if any, owed by Controlled 3 to Distributing 3 after Internal Distribution C will not constitute stock or securities.
63. The total adjusted basis and the fair market value of the assets transferred to Controlled 3 by Distributing 3 will equal or exceed the sum of the amount of any liabilities assumed (within the meaning of Section 357(d)) by Controlled 3.
64. The liabilities assumed (within the meaning of Section 357(d)) by Controlled 3 in the Distributing 3 Contribution were incurred in the ordinary course of business and are associated with the assets being transferred.
65. The total fair market value of the assets transferred to Controlled 3 by Distributing 3 will equal or exceed the aggregate adjusted basis of those assets.
66. No part of the consideration to be distributed by Distributing 3 will be received by Distributing as a creditor, employee, or in any capacity other than that of a shareholder of Distributing 3.
67. Distributing 3 and Controlled 3 will each treat all members of its respective SAG as one corporation in determining whether it meets the requirements of Section 355(b)(2)(A) regarding the active conduct of a trade or business.
68. The five years of financial information submitted on behalf of the business conducted by Distributing 3 (a member of the Distributing 3 SAG) is representative of the Business A operations of Distributing 3, and, with regard to such business, there have been no substantial operational changes since the date of the last financial statements submitted.
69. The five years of financial information submitted on behalf of the business conducted by Controlled 3 (a member of the Controlled 3 SAG), is representative

of the Business C operations of Controlled 3, and with regard to such business, there have been no substantial operational changes since the date of the last financial statements submitted.

70. Following Internal Distribution C, the Distributing 3 SAG and the Controlled 3 SAG will each continue the active conduct of their respective businesses, independently and with their separate employees, except as provided in the transition services agreement.
71. At the time of Internal Distribution C, Distributing 3 will not have an excess loss account in the stock of Controlled 3.
72. Internal Distribution C is being carried out for the corporate business purpose of making possible the External Distribution and is motivated, in whole or substantial part, by this corporate business purpose.
73. Internal Distribution C is not used principally as a device for the distribution of the earnings and profits of Distributing 3 or Controlled 3 or both.
74. Distributing 3 neither accumulated its receivables nor made any extraordinary payments of its payables in anticipation of Internal Distribution C.
75. No indebtedness between Distributing 3 (and its subsidiaries) and Controlled 3 (and its subsidiaries) has been or will be cancelled in connection with Internal Distribution C other than the settlement of open inter-company account balances attributable to normal business operations of Distributing 3 and its subsidiaries prior to Internal Distribution C.
76. No inter-corporate debt will exist between Distributing 3 (and its subsidiaries) and Controlled 3 (and its subsidiaries) at the time of, or subsequent to, Internal Distribution C, except for payables arising under transitional agreements or otherwise in the ordinary course of business.
77. No property will be transferred by Distributing 3 to Controlled 3 for which an investment credit allowed under Section 46 will be claimed.
78. Immediately before Internal Distribution C, items of income, gain, loss, deduction, and credit will be taken into account as required by the applicable inter-company transaction Treasury Regulations (see Treasury Regulations Sections 1.1502-13 and 1.1502-14 as in effect before the publication of T.D. 8597, 1995-32 I.R.B. 6, and as currently in effect; Treasury Regulations Section 1.1502-13 as published by T.D. 8597).

79. Except for certain payments that will be made in connection with the tax sharing agreement and the transition services agreement, payments made in connection with any continuing transactions between Distributing 3 (and its subsidiaries) and Controlled 3 (and its subsidiaries) following Internal Distribution C, will be for fair market value based on terms and conditions comparable to those that would be arrived at by the parties bargaining at arm's length.
80. No two parties to Internal Distribution C are investment companies as defined in Sections 368(a)(2)(F)(iii) and (iv).
81. For purposes of Section 355(d), immediately after Internal Distribution C, no person (determined after applying Section 355(d)(7)) will hold stock possessing fifty percent or more of the total combined voting power of all classes of Distributing 3 stock entitled to vote, or fifty percent or more of the total value of shares of all classes of Distributing 3 stock, that were acquired by purchase (as defined in Sections 355(d)(5) and (8)) during the five-year period (determined after applying Section 355(d)(6)) ending on the date of Internal Distribution C.
82. For purposes of Section 355(d), immediately after Internal Distribution C, no person (determined after applying Section 355(d)(7)) will hold stock possessing fifty percent or more of the total combined voting power of all classes of Controlled 3 stock entitled to vote, or fifty percent or more of the total value of shares of all classes of Controlled 3 stock, that was either (1) acquired by purchase (as defined in Sections 355(d)(5) and (8)) during the five-year period (determined after applying Section 355(d)(6)) ending on the date of Internal Distribution C or (2) attributable to distributions on Distributing 3 stock that was acquired by purchase (as defined in Sections 355(d)(5) and (8)) during the five-year period (determined after applying Section 355(d)(6)) ending on the date of Internal Distribution C.
83. Internal Distribution C is not part of a plan or series of related transactions (within the meaning of Treasury Regulations Section 1.355-7) pursuant to which one or more persons will acquire directly or indirectly stock representing a fifty percent or greater interest (within the meaning of Section 355(d)(4)) in Distributing 3 or Controlled 3 (including any predecessor or successor of any such corporation).
84. After Internal Distribution C, no director, officer or key employee of Distributing 3 or any of its subsidiaries will be a director, officer or key employee of Controlled 3 or any of its subsidiaries.
85. Immediately after Internal Distribution C, neither Distributing 3 nor Controlled 3 will be a "disqualified investment corporation" as defined in Section 355(g)(2)(A).

86. As of the date of Internal Distribution C, no gain has been recognized with respect to the Corp 3 GRA.
87. With respect to the Distributing 3 Contribution, pursuant to Treasury Regulation Section 1.367(a)-8(g)(1), Distributing will comply with reporting requirements similar to those contained in Treasury Regulation Section 1.367(a)-8(g)(2), which include filing a new GRA (the "New Corp 3 GRA"), that replaces the Corp 3 GRA.

#### Internal Distribution D

The following representations are made with respect to Internal Distribution D:

88. Indebtedness, if any, owed by Controlled 4 to Distributing 4 after Internal Distribution D will not constitute stock or securities.
89. The total adjusted basis and the fair market value of the assets transferred to Controlled 4 by Distributing 4 will equal or exceed the sum of the amount of any liabilities assumed (within the meaning of Section 357(d)) by Controlled 4.
90. The liabilities assumed (within the meaning of Section 357(d)) by Controlled 4 in the Distributing 4 Contribution, if any, were incurred in the ordinary course of business and are associated with the assets being transferred.
91. No part of the consideration to be distributed by Distributing 4 will be received by Distributing 4 as a creditor, employee, or in any capacity other than that of a shareholder of Distributing 4.
92. The total fair market value of the assets transferred to Controlled 4 by Distributing 4 will equal or exceed the aggregate adjusted basis of those assets.
93. Distributing 4 and Controlled 4 will each treat all members of its respective SAG as one corporation in determining whether it meets the requirements of Section 355(b)(2)(A) regarding the active conduct of a trade or business.
94. The five years of financial information submitted on behalf of the business conducted by Distributing 4 (a member of the Distributing 4 SAG) is representative of the Business A operations of Distributing 4, and, with regard to such business, there have been no substantial operational changes since the date of the last financial statements submitted.
95. The five years of financial information submitted on behalf of the business conducted by Controlled 4 (a member of the Controlled 4 SAG), is representative of the Business C operations of Controlled 4, and with regard to such business,

there have been no substantial operational changes since the date of the last financial statements submitted.

96. Following Internal Distribution D, the Distributing 4 SAG and the Controlled 4 SAG will each continue the active conduct of their respective businesses, independently and with their separate employees, except as provided in the transition services agreement.
97. At the time of the Internal Distribution D, Distributing 4 will not have an excess loss account in the stock of Controlled 4.
98. Internal Distribution D is being carried out for the corporate business purpose of making possible the External Distribution and is motivated, in whole or substantial part, by this corporate business purpose.
99. Internal Distribution D is not used principally as a device for the distribution of the earnings and profits of Distributing 4 or Controlled 4 or both.
100. Distributing 4 neither accumulated its receivables nor made any extraordinary payments of its payables in anticipation of Internal Distribution D.
101. No indebtedness between Distributing 4 (and its subsidiaries) and Controlled 4 (and its subsidiaries) has been or will be cancelled in connection with Internal Distribution D other than the settlement of open inter-company account balances attributable to normal business operations of Distributing 4 and its subsidiaries prior to Internal Distribution D.
102. No inter-corporate debt will exist between Distributing 4 (and its subsidiaries) and Controlled 4 (and its subsidiaries) at the time of, or subsequent to, Internal Distribution D, except for payables arising under transitional agreements or otherwise in the ordinary course of business.
103. No property will be transferred by Distributing 4 to Controlled 4 for which an investment credit allowed under Section 46 will be claimed.
104. Immediately before Internal Distribution D, items of income, gain, loss, deduction, and credit will be taken into account as required by the applicable inter-company transaction Treasury Regulations (see Treasury Regulations Section 1.1502-13 and 1.1502-14 as in effect before the publication of T.D. 8597, 1995-32 I.R.B. 6, and as currently in effect; Treasury Regulations Section 1.1502-13 as published by T.D. 8597).
105. Except for certain payments that will be made in connection with the tax sharing agreement and the transition services agreement, payments made in connection

with any continuing transactions between Distributing 4 (and its subsidiaries) and Controlled 4 (and its subsidiaries) following Internal Distribution D, will be for fair market value based on terms and conditions comparable to those that would be arrived at by the parties bargaining at arm's length.

106. No two parties to Internal Distribution D are investment companies as defined in Sections 368(a)(2)(F)(iii) and (iv).
107. For purposes of Section 355(d), immediately after Internal Distribution D, no person (determined after applying Section 355(d)(7)) will hold stock possessing fifty percent or more of the total combined voting power of all classes of Distributing 4 stock entitled to vote, or fifty percent or more of the total value of shares of all classes of Distributing 4 stock, that was acquired by purchase (as defined in Sections 355(d)(5) and (8)) during the five-year period (determined after applying Section 355(d)(6)) ending on the date of Internal Distribution D.
108. For purposes of Section 355(d), immediately after Internal Distribution D, no person (determined after applying Section 355(d)(7)) will hold stock possessing fifty percent or more of the total combined voting power of all classes of Controlled 4 stock entitled to vote, or fifty percent or more of the total value of shares of all classes of Controlled 4 stock, that was either (1) acquired by purchase (as defined in Sections 355(d)(5) and (8)) during the five-year period (determined after applying Section 355(d)(6)) ending on the date of Internal Distribution D or (2) attributable to distributions on Distributing 4 stock that was acquired by purchase (as defined in Sections 355(d)(5) and (8)) during the five-year period (determined after applying Section 355(d)(6)) ending on the date of Internal Distribution D.
109. Internal Distribution D is not part of a plan or series of related transactions (within the meaning of Treasury Regulations Section 1.355-7) pursuant to which one or more persons will acquire directly or indirectly stock representing a fifty percent or greater interest (within the meaning of Section 355(d)(4)) in Distributing 4 or Controlled 4 (including any predecessor or successor of any such corporation).
110. After Internal Distribution D, no director, officer or key employee of Distributing 4 or any of its subsidiaries will be a director, officer or key employee of Controlled 4 or any of its subsidiaries.
111. Immediately after the Internal Distribution D, neither Distributing 4 nor Controlled 4 will be a "disqualified investment corporation" as defined in Section 355(g)(2)(A).



## The External Distribution

The following representations are made with respect to the External Distribution:

112. No part of the consideration to be distributed by Distributing with respect to the Distributing Common Stock will be received by any shareholder of Distributing as a creditor, employee, or in any capacity other than that of a shareholder of Distributing.
113. The total adjusted basis and the fair market value of the assets transferred to Controlled by Distributing will equal or exceed the sum of the amount of any liabilities assumed (within the meaning of Section 357(d)) by Controlled.
114. All the liabilities assumed (within the meaning of Section 357(d)) by Controlled in the Distributing Contribution, except for the "Assumed Liabilities" (as defined previously), were incurred in the ordinary course of business and are associated with the assets being transferred.
115. The total fair market value of the assets transferred to Controlled by Distributing will equal or exceed the aggregate adjusted basis of those assets.
116. Distributing and Controlled will each treat all members of its respective SAG as one corporation in determining whether it meets the requirements of Section 355(b)(2)(A) regarding the active conduct of a trade or business.
117. The five years of financial information submitted on behalf of the business conducted by Distributing (a member of the Distributing SAG) is representative of the Business A operations of Distributing, and, with regard to such business, there have been no substantial operational changes since the date of the last financial statements, submitted.
118. The five years of financial information submitted on behalf of the business conducted by Controlled (a member of the Controlled SAG), is representative of the Business C operations of Controlled, and, with regard to such business, there have been no substantial operational changes since the date of the last financial statements, submitted.
119. Following the External Distribution, the Distributing SAG and the Controlled SAG will each continue the active conduct of their respective businesses, independently and with their separate employees, except as provided in the transition services agreement.
120. The External Distribution is being carried out for the corporate business purposes, listed below, and is motivated, in whole or substantial part, by one or

more of these corporate business purposes: (1) to allow each of Distributing and Controlled to focus on its core business and growth opportunities and provide the management of each with increased flexibility to design and implement corporate policies and strategies based on the business characteristics of the particular industry in which it operates; (2) to improve the understanding of the businesses of Distributing and Controlled in the investment community and among rating agencies, analysts and other market participants; (3) to eliminate internal competition for capital and permit each of Distributing and Controlled to design a capital structure best suited to its own needs which is expected to facilitate internal and external expansion; and (4) to enhance the efficiency and effectiveness of Controlled's equity-based compensation.

121. The External Distribution is not used principally as a device for the distribution of the earnings and profits of Distributing or Controlled or both.
122. Distributing neither accumulated its receivables nor made any extraordinary payment of its payables in anticipation of the External Distribution other than the settlement of certain inter-company loans.
123. No indebtedness between Distributing (and its subsidiaries) and Controlled (and its subsidiaries) has been or will be cancelled in connection with the External Distribution other than the settlement of open inter-company account balances attributable to normal business operations, prior to the External Distribution, of Distributing and its subsidiaries.
124. No inter-corporate debt will exist between Distributing (and its subsidiaries) and Controlled (and its subsidiaries) at the time of, or subsequent to, the External Distribution, except for payables arising under the transition services agreement, the tax sharing agreement or otherwise incurred in the ordinary course of business.
125. No property will be transferred by Distributing to Controlled for which an investment credit allowed under Section 46 will be claimed.
126. Immediately before the External Distribution, items of income, gain, loss, deduction, and credit will be taken into account as required by the applicable inter-company transaction Treasury Regulations (see Treasury Regulations Sections 1.1502-13 and 1.1502-14 as in effect before the publication of T.D. 8597, 1995-32 I.R.B. 6, and as currently in effect; Treasury Regulations Section 1.1502-13 as published by T.D. 8597). Further, Distributing's excess loss account, if any, with respect to its Controlled Common Stock will be included in income immediately before the External Distribution to the extent required by applicable Treasury Regulations (see Treasury Regulations Section 1.1502-19).

127. Except for certain payments that will be made in connection with the tax sharing agreement and the transition services agreement, payments made in connection with any continuing transactions between Distributing (and its subsidiaries) and Controlled (and its subsidiaries) following the External Distribution, will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length.
128. No two parties to the External Distribution are investment companies as defined in Sections 368(a)(2)(F)(iii) and (iv).
129. For purposes of Section 355(d), immediately after the External Distribution, no person (determined after applying Section 355(d)(7)) will hold stock possessing fifty percent or more of the total combined voting power of all classes of Distributing stock entitled to vote, or fifty percent or more of the total value of shares of all classes of Distributing stock, that was acquired by purchase (as defined in Section 355(d)(5) and (8)) during the five-year period (determined after applying Section 355(d)(6)) ending on the date of the External Distribution.
130. For purposes of Section 355(d), immediately after the External Distribution, no person (determined after applying Section 355(d)(7)) will hold stock possessing fifty percent or more of the total combined voting power of all classes of Controlled stock entitled to vote, or fifty percent or more of the total value of shares of all classes of Controlled stock, that was either (1) acquired by purchase (as defined in Section 355(d)(5) and (8)) during the five-year period (determined after applying Section 355(d)(6)) ending on the date of the External Distribution or (2) attributable to distributions on Distributing stock that was acquired by purchase (as defined in Section 355(d)(5) and (8)) during the five-year period (determined after applying Section 355(d)(6)) ending on the date of the External Distribution.
131. The External Distribution is not part of a plan or series of related transactions (within the meaning of Treasury Regulations Section 1.355-7) pursuant to which one or more persons will acquire directly or indirectly stock representing a fifty percent or greater interest (within the meaning of Section 355(d)(4)) in Distributing or Controlled (including any predecessor or successor of any such corporation).
132. As of the date of the External Distribution, no director, officer or key employee of Distributing or any of its subsidiaries will be a director, officer or key employee of Controlled or any of its subsidiaries other than Person A who will serve as Officer X of Distributing as well as on the board of Controlled. Person A is currently Officer X of Distributing and expects to continue in such position for no more than eighteen months after the External Distribution. Person B, Officer Y of Distributing, intends to retire within six months after the External Distribution,

thus, the primary reason for Person A continuing as Officer X of Distributing after the External Distribution is to avoid causing Distributing to have insufficient executive-level guidance on financial matters until new or existing executives can be prepared to assume such responsibility.

133. The payment of cash in lieu of fractional shares of Controlled Common Stock by the distribution agent will be solely for the purpose of avoiding the expense and inconvenience of issuing and maintaining fractional shares and will not represent separately bargained for consideration. The total cash that will be paid in connection with the External Distribution in lieu of fractional shares of Controlled Common Stock is not intended to exceed one percent of the total consideration that will be distributed to holders of Distributing Common Stock in the External Distribution. It is intended that no Distributing shareholder will receive cash in lieu of fractional shares in an amount equal to or greater than the value of one full share of Controlled Common Stock.
134. Neither Distributing nor Controlled is a “disqualified investment corporation” as defined in Section 355(g)(2)(A).
135. Pursuant to Treasury Regulation Section 1.367(a)-8T(h)(2)(i) and (iii), Distributing and Controlled will apply Treasury Regulation Section 1.367(a)-8T(d)(5) and 8T(e)(9), which includes complying with the requirement that Controlled file a new GRA, with respect to the New Corp 3 GRA and the External Distribution.
136. The Retained Stock will be held by the Rabbi Trusts after the External Distribution for the purpose of using such stock, as well as Distributing Common Stock, to compensate participants with regard to deferred compensation earned while performing services for Distributing when Distributing conducted the Business C.
137. The Rabbi Trusts will distribute the Retained Stock to the participants in the Deferred Compensation Plans upon the termination of their employment or retirement in accordance with the terms of such plans, provided however, that any Retained Stock held by the Rabbi Trusts five years after the External Distribution will be sold in arm's length transactions with third parties.
138. Distributing will not vote the Retained Stock nor will it vote any stock acquired as a result of the exercise of the related preferred stock purchase rights.

## Rulings

Based solely on the information submitted and the representations set forth above, we rule as follows:

## Internal Distribution A

- a. The Distributing 1 Contribution, together with the Internal Distribution A, will be a reorganization within the meaning of Section 368(a)(1)(D). Distributing 1 and Controlled 1 will each be “a party to a reorganization” under Section 368(b).
- b. Distributing 1 will not recognize any gain or loss on the Distributing 1 Contribution. Sections 357(a) and 361(a).
- c. Controlled 1 will not recognize any gain or loss on the Distributing 1 Contribution. Section 1032(a).
- d. Controlled 1’s basis in each asset received in the Distributing 1 Contribution will equal the basis of that asset in the hands of Distributing 1 immediately before the transfer. Section 362(b).
- e. Controlled 1’s holding period in each asset received in the Distributing 1 Contribution will include the period during which Distributing 1 held that asset. Section 1223(2).
- f. Distributing 1 will not recognize any gain or loss on Internal Distribution A. Section 361(c).
- g. No income, gain, or loss will be recognized by Distributing 1 on Internal Distribution A. Section 355(c)(1).
- h. No gain or loss will be recognized by (and no amount will otherwise be included in the income of) DRE 1, DRE 2 or Distributing 3 on Internal Distribution A. Section 355(a)(1).
- i. The holding period of the Controlled 1 Interests received by DRE 1 and DRE 2 in Internal Distribution A will include the holding period of the Distributing 1 GP Interests and Distributing 1 LP Interests, respectively, with respect to which such Controlled 1 Interests were received, provided the Controlled 1 Interests are held as capital assets on the date of Internal Distribution A. Section 1223(1).
- j. The aggregate basis of the Distributing 1 Interests and the Controlled 1 Interests held by DRE 1 and DRE 2 immediately after Internal Distribution A will equal the aggregate basis of the Distributing 1 GP Interest or Distributing 1 LP Interest held by each immediately before Internal Distribution A, allocated in proportion to the fair market value of Distributing 1 and Controlled 1 in accordance with Treasury Regulations Section 1.358-2(a)(2). Section 358(b)(2).

- k. Earnings and profits, if any, will be allocated between Distributing 1 and Controlled 1 in accordance with Section 312(h) and Treas. Regulations sections 1.312-10(a), and 1.1502-33(e)(3).
- l. For purposes of the New Corp 2 GRA (replacing the existing Corp 2 GRA) filed pursuant to Treasury Regulation Section 1.367(a)-8T(e)(3)(iii)(A) with respect to the Corp 2 Plan, Controlled 1 is the successor to Corp 2 for purposes of Treasury Regulations Sections 1.367(a)-8 and 1.367(a)-8T.
- m. The New Corp 2 GRA filed with respect to the Corp 2 Plan will terminate without further effect pursuant to Treasury Regulation Section 1.367(a)-8T(g)(3) upon Internal Distribution A.
- n. For purposes of the New Corp 4 GRA (replacing the existing Corp 4 GRA) filed pursuant to Treasury Regulation Section 1.367(a)-8T(e)(3)(iii)(A) with respect to the Corp 4 Plan, Controlled 1 is the successor to Corp 4 for purposes of Treasury Regulation Sections 1.367(a)-8 and 1.367(a)-8T.
- o. The New Corp 4 GRA filed with respect to the Corp 4 Plan will terminate without further effect pursuant to Treasury Regulation Section 1.367(a)-8T(g)(3) upon Internal Distribution A.

#### Internal Distribution B

- p. The DRE 5 Contribution, together with the Internal Distribution B, will be a reorganization within the meaning of Section 368(a)(1)(D). Distributing 2 and Controlled 2 will each be “a party to a reorganization” under Section 368(b).
- q. Distributing 2 will not recognize any gain or loss on the DRE 5 Contribution. Sections 357(a) and 361(a).
- r. Controlled 2 will not recognize any gain or loss on the DRE 5 Contribution. Section 1032(a).
- s. Controlled 2's basis in each asset received in the DRE 5 Contribution will equal the basis of that asset in the hands of DRE 5 immediately before the transfer. Section 362(b).
- t. Controlled 2's holding period in each asset received in the DRE 5 Contribution will include the period during which DRE 5 held that asset. Section 1223(2).
- u. Distributing 2 will not recognize any gain or loss on Internal Distribution B. Section 361(c).

- v. No income, gain, or loss will be recognized by Distributing 2 on Internal Distribution B. Section 355(c)(1).
- w. No gain or loss will be recognized by (and no amount will otherwise be included in the income of) DRE 3 or Distributing 3 on Internal Distribution B. Section 355(a)(2).
- x. The holding period of the Controlled 2 Common Stock received by DRE 3 in Internal Distribution B will include the holding period of the Distributing 2 LP Interest with respect to which such Controlled 2 Common Stock was received, provided the Controlled 2 Common Stock is held as a capital asset on the date of Internal Distribution B. Section 1223(1).
- y. The aggregate basis of the Distributing 2 LP Interest and the Controlled 2 Common Stock held by DRE 3 immediately after Internal Distribution B will equal the aggregate basis of the Distributing 2 LP Interest held by DRE 3 immediately before Internal Distribution B, allocated in proportion to the fair market value of Distributing 2 and Controlled 2 in accordance with Treasury Regulation Section 1.358-2(a)(2). Section 358(b)(2).
- z. Earnings and profits, if any, will be allocated between Distributing 2 and Controlled 2 in accordance with Section 312(h) and Treasury Regulations sections 1.312-10(a), and 1.1502-33(e)(3).
- aa. For purposes of the New DRE 5 GRAs (replacing the existing DRE 5 GRAs) filed pursuant to Treasury Regulation Section 1.367(a)-8(g)(3) with respect to the DRE 5 Contribution, Controlled 2 is treated as the transferred corporation, and Distributing 2 continues to be the transferee foreign corporation.
- bb. The New DRE 5 GRAs filed pursuant to Treasury Regulation Section 1.367(a)-8(g)(3) with respect to the DRE 5 Contribution will terminate without further effect upon Distribution B. Treasury Regulation Section 1.367(a)-8T(g)(3).

#### Internal Distribution C

- cc. The Distributing 3 Contribution, together with the Internal Distribution C, will be a reorganization within the meaning of Section 368(a)(1)(D). Distributing 3 and Controlled 3 will each be “a party to a reorganization” under Section 368(b).
- dd. Distributing 3 will not recognize any gain or loss on the Distributing 3 Contribution. Sections 357(a) and 361(a).
- ee. Controlled 3 will not recognize any gain or loss on the Distributing 3 Contribution. Section 1032(a).

- ff. Controlled 3's basis in each asset received in the Distributing 3 Contribution will equal the basis of that asset in the hands of Distributing 3 immediately before the transfer. Section 362(b).
- gg. Controlled 3's holding period in each asset received in the Distributing 3 Contribution will include the period during which Distributing 3 held that asset. Section 1223(2).
- hh. Distributing 3 will not recognize any gain or loss on Internal Distribution C. Section 361(c).
- ii. No income, gain, or loss will be recognized by Distributing 3 on Internal Distribution C. Section 355(c)(1).
- jj. No gain or loss will be recognized by (and no amount will otherwise be included in the income of) Distributing on Internal Distribution C. Section 355(a)(1).
- kk. The holding period of the Controlled 3 Common Stock received by Distributing in Internal Distribution C will include the holding period of the Distributing 3 Common Stock with respect to which such Controlled 3 Common Stock was received, provided the Controlled 3 Common Stock is held as capital asset on the date of Internal Distribution C. Section 1223(1).
- ll. The aggregate basis of the Distributing 3 Common Stock and the Controlled 3 Common Stock held by Distributing immediately after Internal Distribution C will equal the aggregate basis of the Distributing 3 Common Stock held by each immediately before Internal Distribution C, allocated in proportion to the fair market value of Distributing 3 and Controlled 3 in accordance with Treasury Regulations Section 1.358-2(a)(2). Section 358(b)(2).
- mm. Earnings and profits, if any, will be allocated between Distributing 3 and Controlled 3 in accordance with Section 312(h) and Treasury Regulations sections 1.312-10(a), and 1.1502-33(e)(3).
- nn. For purposes of the New Corp 3 GRA (replacing the existing Corp 3 GRA) filed pursuant to Treasury Regulation Section 1.367(a)-8(g)(1) with respect to the Distributing 3 Contribution, Controlled 3 is treated as the U.S. transferor for purposes of Treasury Regulation Sections 1.367(a)-8 and 1.367(a)-8T.



## Internal Distribution D

- oo. The Distributing 4 Contribution, together with the Internal Distribution D, will be a reorganization within the meaning of Section 368(a)(1)(D). Distributing 4 and Controlled 4 will each be “a party to a reorganization” under Section 368(b).
- pp. Distributing 4 will not recognize any gain or loss on the Distributing 4 Contribution. Sections 357(a) and 361(a).
- qq. Controlled 4 will not recognize any gain or loss on the Distributing 4 Contribution. Section 1032(a).
- rr. Controlled 4’s basis in each asset received in the Distributing 4 Contribution will equal the basis of that asset in the hands of Distributing 4 immediately before the transfer. Section 362(b).
- ss. Controlled 4’s holding period in each asset received in the Distributing 4 Contribution will include the period during which Distributing 4 held that asset. Section 1223(2).
- tt. Distributing 4 will not recognize any gain or loss on Internal Distribution D. Section 361(c).
- uu. No income, gain, or loss will be recognized by Distributing 4 on Internal Distribution D. Section 355(c)(1).
- vv. No gain or loss will be recognized by (and no amount will otherwise be included in the income of) Distributing on Internal Distribution D. Section 355(a)(1).
- ww. The holding period of the Controlled 4 Common Stock received by Distributing in Internal Distribution D will include the holding period of the Distributing 4 Common Stock with respect to which such Controlled 4 Common Stock was received, provided the Controlled 4 Common Stock is held as a capital asset on the date of Internal Distribution D. Section 1223(1).
- xx. The aggregate basis of the Distributing 4 Common Stock and the Controlled 4 Common Stock held by Distributing immediately after Internal Distribution D will equal the aggregate basis of the Distributing 4 Common Stock held immediately before Internal Distribution D, allocated in proportion to the fair market value of Distributing 4 and Controlled 4 in accordance with Treasury Regulations Section 1.358-2(a)(2). Section 358(b)(2).

- yy. Earnings and profits, if any, will be allocated between Distributing 4 and Controlled 4 in accordance with Sections 312(h), and Treasury Regulations 1.312-10(a) and 1.1502-33(e)(3).

#### The External Distribution

- zz. The Distributing Contribution, together with the External Distribution will be a reorganization within the meaning of Section 368(a)(1)(D). Distributing and Controlled will each be “a party to the reorganization” within the meaning of Section 368(b).
- aaa. Distributing will not recognize any gain or loss on the Distributing Contribution. Sections 357(a) and 361(a).
- bbb. Controlled will not recognize any gain or loss on the Distributing Contribution. Section 1032(a).
- ccc. Controlled’s basis in each asset received in the Distributing Contribution will equal the basis of that asset in the hands of Distributing immediately before the transfer. Section 362(b).
- ddd. Controlled’s holding period in each asset received in the Distributing Contribution will include the period during which Distributing held that asset. Section 1223(2).
- eee. Distributing will not recognize any gain or loss on the External Distribution. Section 361(c).
- fff. No income, gain, or loss will be recognized by Distributing on the External Distribution. Section 355(c)(1).
- ggg. The Distributing shareholders will not recognize any gain or loss (and will not otherwise include any amount in income) upon the receipt of the Controlled Common Stock or the Preferred Stock Rights. Section 355(a).
- hhh. Each Distributing shareholder’s basis in its shares of Distributing Common Stock (as adjusted under Treasury Regulations Section 1.358-1) shall be allocated between the shares of Distributing Common Stock and the shares of Controlled Common Stock received with respect to the shares of Distributing Common Stock in proportion to their fair market values. If a Distributing shareholder that purchased or acquired shares of Distributing Common Stock on different dates or at different prices is not able to identify which particular share of Controlled Common Stock is received with respect to a particular share of Distributing Common Stock, the shareholder may designate which particular

share of Controlled Common Stock (or portion thereof) is received with respect to a particular share of Distributing Common Stock, provided the designation is consistent with the terms of the External Distribution.

- iii. Each Distributing shareholder's holding period in the Controlled Common Stock received will include the holding period of the Distributing Common Stock with respect to which the distribution of the Controlled Common Stock is made, provided that the Distributing Common Stock is held as a capital asset on the date of the External Distribution. Section 1223(1).
- jjj. Earnings and profits, if any, will be allocated between Distributing and Controlled in accordance with Section 312(h) and Treasury Regulations sections 1.312-10(a) and 1.1502-33(e)(3).
- kkk. A shareholder who receives cash in lieu of a fractional share of Controlled Common Stock will recognize gain or loss measured by the difference between the basis of the fractional share received, as determined above in ruling hhh, and the amount of cash received. Section 1001. Any gain or loss will be treated as capital gain or loss, provided the fractional share of stock would be held as a capital asset on the date of the External Distribution. Sections 1221 and 1222.
- III. The becoming of a member of the consolidated group by Controlled 3 to be headed by Controlled following the Distributing Contribution and the External Distribution does not result in a triggering event under Treasury Regulations Section 1.367(a)-8T(d) with respect to the New Corp 3 GRA filed pursuant to Treasury Regulation Section 1.367(a)-8(g)(1).
- mmm. Following the External Distribution, the New Corp 3 GRA filed pursuant to Treasury Regulations Section 1.367(a)-8(g)(1) terminates without further effect, and the GRA entered into by Controlled with respect to Corp 3 when Controlled 3 joins the Controlled consolidated group applies for the remaining term of the original Corp 3 GRA. Treasury Regulation Section 1.367(a)-8T(e)(9).

#### Caveats

The rulings contained in this letter are based upon information and representations submitted by the taxpayer and accompanied by a penalty of perjury statement executed by an appropriate party. While this office has not verified any of the material submitted in support of the request for rulings, it is subject to verification on examination.

This ruling is directed only to the taxpayer requesting it. Section 6110(k)(3) of the Code provides that it may not be used or cited as precedent.

In accordance with the Power of Attorney on file with this office, a copy of this letter is being sent to your authorized representative.

A copy of this letter must be attached to any income tax return to which it is relevant. Alternatively, taxpayers filing their returns electronically may satisfy this requirement by attaching a statement to their return that provides the date and control number of the letter ruling.

No opinion is expressed about the tax treatment of the proposed transactions under other provisions of the Code or regulations or the tax treatment of any conditions existing at the time of, or effects resulting from, the proposed transactions that are not specifically covered by the above rulings. In particular, no opinion is expressed regarding: (i) whether the proposed transactions satisfy the business purpose requirement of Treasury Regulations Section 1.355-2(b); (ii) whether the proposed transactions are used principally as a device for the distribution of the earnings and profits of the distributing corporation or the controlled corporation or both (see Treasury Regulations Sections 355(a)(1)(B) and 1.355-2(d)); and (iii) whether the proposed transactions and an acquisition or acquisitions are part of a plan (or series of related transactions) under Treasury Regulations Section 355(e)(2)(A)(ii).

Specifically, no opinion is expressed as to whether payments made by a distributing corporation to a controlled corporation in Distribution B and the External Distribution, or vice versa, for contingent liabilities that (i) will have arisen or will arise for a taxable period ending on or before such distribution or for a taxable period beginning on or before and ending after the distribution and (ii) will not have become fixed and ascertainable until after such distribution, will be treated as occurring immediately before such distribution (see *Arrowsmith v. Commissioner*, 344 U.S. 6 (1952); Rev. Rul. 83-73, 1983-1 C.B. 84).

Further, to the extent not otherwise specifically ruled upon above, no opinion is expressed regarding consequence under section 367(a) or (b) of any transaction in this letter ruling. Finally, no opinion is expressed whether the transaction described in representations 26 and 30 in Distribution A qualifies as a reorganization described in section 368(a)(1)(D).

Sincerely,

Steven J. Hankin  
Senior Technician Reviewer, Branch 6  
Office of Associate Chief Counsel (Corporate)